

Message Text

UNCLASSIFIED

PAGE 01 PARIS 07289 01 OF 04 281832Z
ACTION EUR-12

INFO OCT-01 EA-12 IO-14 ISO-00 AID-05 CIAE-00 COME-00
EB-08 FRB-01 INR-10 NSAE-00 USIA-15 TRSE-00
XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05
SS-15 STR-07 CEA-01 PA-02 L-03 H-02 AGRE-00 /131 W
-----065187 282034Z /45

R 281814Z FEB 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 7882
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION GENEVA
AMCONSUL BORDEAUX
AMCONSUL LYON
AMCONSUL MARSEILLE
AMCONSUL NICE
AMCONSUL STRASBOURG

UNCLAS SECTION 01 OF 04 PARIS 07289

USMTN; PARIS PASS OECD

USEEC

PASS TREASURY, FEDERAL RESERVE, COMMERCE, LABOR

E. O. 11652: N/A
TAGS: EALR, EFIN, EGEN, FR
SUBJECT: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS

REF: PARIS 04667, FEBRUARY 15, 1978

SUMMARY:
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 07289 01 OF 04 281832Z

THE FORTHCOMING ELECTIONS DOMINATE THE FRENCH
ECONOMIC AND FINANCIAL SCENE. MEANWHILE, INDUSTRIAL
PERFORMANCE REMAINED DULL; PRICES CONTINUED TO
MODERATE THROUGH JANUARY; UNEMPLOYMENT DECLINED,
ALTHOUGH THE NEW ADJUSTMENT FACTORS INTRODUCED BY
THE GOVERNMENT ARE CONTESTED BY THE OPPOSITION;

AND EXTERNAL TRADE IN JANUARY REVERTED TO A
DEFICIT. WHILE THE PERFORMANCE OF THE ECONOMY
AND POLICY PRESCRIPTIONS FORM AN IMPORTANT PART
OF THE CURRENT POLITICAL CAMPAIGN, THE ECONOMY
ITSELF IS CLEARLY MARKING TIME WITH NO
CHANGE IN THE PATTERN OF RECENT MONTHS.
END SUMMARY

1. INDUSTRIAL ACTIVITY IS DULL

THE MONTHLY POLL OF BUSINESS LEADERS CONDUCTED BY
INSEE IN JANUARY SHOWED THAT, IN THE FACE OF THE
DECLINE IN PRODUCTION, INVENTORIES DECLINED; BUT
MANY BUSINESS LEADERS STILL CONSIDER THEM ABOVE
NORMAL. ORDER BACKLOGS DIDN'T CHANGE MUCH OVER THE
PREVIOUS FIVE MONTHS AND ARE STILL CONSIDERED QUITE
SMALL, WITH FOREIGN DEMAND BEING MORE FAVORABLE
THAN DOMESTIC DEMAND. HOWEVER, GIVEN THE PRESENT
LEVEL OF ACTIVITY, THE MAJORITY OF BUSINESS LEADERS
EXPECT THEIR OWN PRODUCTION TO PICK UP IN THE COMING
MONTHS. PRICE RISES ARE NOW BELIEVED TO BE INCREASING
AT A SOMEWHAT FASTER PACE. IN SUM, THERE SHOULD BE
NO FURTHER DOWNWARD MOVEMENT IN PRODUCTION; BUT
ACTIVITY IS STILL BELOW NORMAL. HOWEVER, ACTIVITY
IN CONSTRUCTION MATERIALS, GLASS, AND WOOD INDUSTRIES
IS EXPECTED TO DECLINE FURTHER.
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 07289 01 OF 04 281832Z

2. INDUSTRIAL PRODUCTION

INDUSTRIAL PRODUCTION WEAKENED AGAIN IN DECEMBER TO
123 (1970 100), DOWN FROM 127 IN NOVEMBER AND 126
IN DECEMBER 1976. INSEE POINTS OUT THAT DECEMBER
WAS UNFAVORABLY INFLUENCED BY VARIOUS STRIKE MOVE-
MENTS. A NUMBER OF ENTERPRISES CEASED PRODUCTION
DURING THE CHRISTMAS--NEW YEAR'S WEEK (DECEMBER 26--
31). THE DECLINE WAS NOTICEABLE ALMOST ACROSS THE
BOARD, WITH NO SINGLE INDUSTRY PERFORMING SIGNIFICANTLY
BETTER THAN ANOTHER.

THE LONG-TERM TREND OF THE QUARTERLY SERIES (WHICH
COVERS 93.5 PERCENT OF FRENCH INDUSTRIAL ACTIVITY--
EXCLUDING BUILDING) ILLUSTRATES THE FLATTENING OUT
OF ECONOMIC GROWTH:

INDUSTRIAL PRODUCTION
(EXCLUDING BUILDING)
CORRECTED FOR SEASONAL VARIATIONS

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 07289 02 OF 04 281832Z
ACTION EUR-12

INFO OCT-01 EA-12 IO-14 ISO-00 AID-05 CIAE-00 COME-00
EB-08 FRB-01 INR-10 NSAE-00 USIA-15 TRSE-00
XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05
SS-15 STR-07 CEA-01 L-03 H-02 PA-02 AGRE-00 /131 W
-----065192 282034Z /45

R 281814Z FEB 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 7883
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION GENEVA
AMCONSUL BORDEAUX
AMCONSUL LYON
AMCONSUL MARSEILLE
AMCONSUL NICE
AMCONSUL STRASBOURG

UNCLAS SECTION 02 OF 04 PARIS 07289

USMTN/USEEC

1970100

1976

THIRD QUARTER	125
FOURTH QUARTER	125

1977

FIRST QUARTER	129
SECOND QUARTER	125
THIRD QUARTER	125

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 07289 02 OF 04 281832Z

3. JANUARY FOREIGN TRADE REVERTS TO A DEFICIT

IN JANUARY EXPORTS WERE DOWN 16 PERCENT FROM DECEMBER WHILE IMPORTS DECLINED BY ONLY 2-1/2 PERCENT. CORRECTED FOR SEASONAL VARIATIONS, EXPORTS DROPPED BY 5.3 PERCENT WHILE IMPORTS ROSE BY 6.2 PERCENT. IN COMMENTING ON THE UNFAVORABLE JANUARY TRADE BALANCE, FOREIGN TRADE MINISTER ROSSI ALLEGES THAT THE SYSTEM OF MONETARY COMPENSATION WHICH APPLIES TO FOREIGN TRADE AND AGRICULTURAL PRODUCTS WAS LARGELY RESPONSIBLE FOR THE JANUARY TRADE DEFICIT-- WHICH ACCOUNTS FOR THREE-FOURTHS OF THIS DEFICIT. HOWEVER, AGRICULTURAL TRADE IS ALWAYS HIGHLY SEASONAL AND MCA'S ARE CHANGED FREQUENTLY. STILL EXPORTS OF WHEAT DROPPED BY 60 PERCENT IN JANUARY FROM DECEMBER WHILE IMPORTS OF BARLEY AND BUTTER WERE UP SUBSTANTIALLY. MOREOVER, THE TRADE BALANCE IN AGRICULTURAL AND FOOD PRODUCTS HAD ALREADY DETERIORATED IN 1977. FOR THE FIRST TIME IN SEVEN YEARS, AGRICULTURAL IMPORTS EXCEEDED EXPORTS. IT IS EXPECTED, HOWEVER, THAT THIS SITUATION WILL IMPORVE EARLY IN 1978.

FOREIGN TRADE

(BILLIONS OF FRANCS)

	JANUARY 1977	DECEMBER 1977	JANUARY 1978
IMPORTS, F.O.B.	26.5	29.3	28.6
EXPORTS, F.O.B.	23.5	30.9	25.9
BALANCE	-3.0	#1.6	-2.7
UNCLASSIFIED			

UNCLASSIFIED

PAGE 03 PARIS 07289 02 OF 04 281832Z

PERCENT OF IMPORTS COVERED

BY EXPORTS	88.7	105.4	90.6
------------	------	-------	------

CORRECTED FOR SEASONAL VARIATIONS:

IMPORTS, F.O.B.	27.7	27.1	28.7
EXPORTS, F.O.B.	25.3	28.4	26.9
BALANCE	-2.4	#1.3	-1.8

PERCENT OF IMPORTS COVERED

BY EXPORTS	91.1	104.8	93.5
------------	------	-------	------

CONTRARY TO THE UNFAVORABLE DEVELOPMENT IN TRADE OF AGRICULTURAL PRODUCTS, EXPORTS OF AUTOMOBILES REACHED A NEW HIGH IN 1977--INCREASING BY 22 PERCENT TO

F 42.2 BILLION. AT THE SAME TIME IMPORTS OF AUTO-MOBILES ROSE BY ONLY 13.5 PERCENT IN 1977, AMOUNTING TO F 21.4 BILLION. CONSEQUENTLY, THE TRADE SURPLUS FOR AUTOMOBILES AMOUNTED TO F 20.8 BILLION--UP FROM F 15.8 BILLION IN 1976.

4. UNEMPLOYMENT STABLE IN JANUARY

STATISTICS AS PUBLISHED BY INSEE SHOW THE NUMBER OF THOSE LOOKING FOR EMPLOYMENT IN JANUARY TO BE 1,023,200 PERSONS, DOWN FROM 1,050,900 IN DECEMBER; AND LABOR MINISTER CHRISTIAN BEULLAC MADE A STATEMENT TO THE EFFECT THAT "UNEMPLOYMENT HAD DECLINED FOR THE FIFTH CONSECUTIVE MONTH". HOWEVER, A NUMBER OF MEASURES INTRODUCED IN JANUARY 1978--SUCH AS DELAY IN REGISTRATION DATE, STRICTER RULES TO ELIMINATE JOB SEEKERS FROM THE ROLLS IF THEY DO NOT REPORT

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 07289 03 OF 04 281840Z
ACTION EUR-12

INFO OCT-01 EA-12 IO-14 ISO-00 AID-05 CIAE-00 COME-00
EB-08 FRB-01 INR-10 NSAE-00 USIA-15 TRSE-00
XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05
SS-15 STR-07 CEA-01 L-03 H-02 PA-02 AGRE-00 /131 W
-----065284 282035Z /45

R 281814Z FEB 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 7884
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION GENEVA
AMCONSUL BORDEAUX
AMCONSUL LYON
AMCONSUL MARSEILLE
AMCONSUL NICE
AMCONSUL STRASBOURG

UNCLAS SECTION 03 OF 04 PARIS 07289

USMTN/USEEC

REGULARLY, AND A NUMBER OF OTHER SMALLER MODIFICATIONS--
MAKE THE DECEMBER AND JANUARY DATA NOT STRICTLY
COMPARABLE. (SEE PARIS 05435 OF 2/17/78.) INSEE
SUPPLIED US WITH THE FOLLOWING UNEMPLOYMENT DATA
WHICH THEY CONSIDER COMPARABLE: (IN THOUSANDS)
AUGUST 1,174.4, SEPTEMBER 1,132.2, OCTOBER 1,096.8,
NOVEMBER 1,068.1, DECEMBER 1,054.0, JANUARY 1,063.1.

MOREOVER, IT IS TO BE EXPECTED THAT UNEMPLOYMENT WILL
RISE AGAIN AFTER THE ELECTIONS. CLOSINGS OF ENTER-
PRISES ARE BEING POSTPONED WHEREVER POSSIBLE.
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 07289 03 OF 04 281840Z

ACCORDING TO A COMMENT MADE BY JEAN BOISSONAT ON
RADIO EUROPE I, THERE ARE NOW A NUMBER OF ENTER-
PRISES WHICH ARE ACCORDED SPECIAL FACILITIES BY
THE ADMINISTRATION AND THE BANKS--INCLUDING THE
BANK OF FRANCE--UPON INTERVENTION OF LOCAL
REPRESENTATIVES TO AVOID SHUT-DOWNS. THE SECTORS
PRINCIPALLY AFFECTED ARE TEXTILES, CLOTHING, AND
BUILDING AND PUBLIC WORKS. HE ESTIMATES THE NUMBER
OF PERSONS WHO OTHERWISE WOULD BE UNEMPLOYED TO
BE FROM 20 TO 25 THOUSAND.

5. 1977 PRELIMINARY BALANCE OF PAYMENTS

1976 1977
(BILLIONS OF FRANCS)

TRADE BALANCE	MINUS 22.7	MINUS 13.0
SERVICES, NET	PLUS 4.5	PLUS 10.3
TRANSFERS, NET	MINUS 10.9	MINUS 13.1

CURRENT ACCOUNT BALANCE MINUS 29.1 MINUS 15.8

LONG-TERM CAPITAL, NET MINUS 5.3 MINUS 0.2

BASIC BALANCE MINUS 34.4 MINUS 16.0

PRIVATE SHORT-TERM
CAPITAL, NET PLUS 11.3 PLUS 5.5

ERRORS AND OMISSIONS PLUS 4.0 PLUS 20.2

OVERALL BALANCE MINUS 19.1 PLUS 9.7

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 07289 03 OF 04 281840Z

FINANCING ITEMS, INCL. PLUS 19.1 MINUS 9.8
BANKING SECTOR PLUS 5.5 MINUS 5.3
PUBLIC SECTOR PLUS 13.6 MINUS 4.5

NOTE: AS THESE ARE PRELIMINARY ESTIMATES, THE LARGE ERRORS AND OMISSIONS FOR 1977 NO DOUBT WILL BE ADJUSTED CONSIDERABLY. HOWEVER, THE IMPORTANT POINT IS THAT A LARGE INFLOW OF AUTONOMOUS SHORT-TERM CAPITAL PLUS A POSITIVE ERRORS AND OMISSIONS FINANCED THE FRENCH EXTERNAL POSITION IN 1977.

THE ABOVE RESULTS ARE SOMEWHAT LESS FAVORABLE THAN ESTIMATED A FEW WEEKS AGO, BUT THEY CONFIRM GENERAL IMPROVEMENT WHEN COMPARED WITH 1976. ONE REASON FOR THIS NOTED BY FINANCE MINISTRY TECHNICIANS WAS THAT COMPENSATORY PAYMENTS TO/FROM THE COMMON MARKET AGRICULTURAL FUND WERE LESS FAVORABLE TO FRANCE THAN ANTICIPATED IN THE EARLIER ESTIMATES.

6. PRISES RISE ONLY MODERATELY IN JANUARY

PRIME MINISTER BARRE CAN POINT WITH SATISFACTION TO THE LAST CONSUMER PRICE INDEX PUBLISHED BEFORE THE MARCH ELECTIONS. CONSUMER PRISES ROSE, ON AVERAGE, BY 0.5 PERCENT IN JANUARY (9.2 PERCENT OVER JANUARY 1977), WITH FOOD PRICES RISING BY 0.5 PERCENT (11.7 OVER JANUARY 1977), MANUFACTURED PRODUCTS BY ONLY 0.3 PERCENT (7.9 OVER JANUARY 1977), AND SERVICES BY 0.7 PERCENT (8.6 OVER JANUARY 1977). THE JANUARY INCREASE REFLECTS THE SEMI-ANNUAL SCHEDULED INCREASE IN RENTS.

7. MONEY SUPPLY DECLINED SLIGHTLY IN NOVEMBER

AS INDICATED IN PREVIOUS FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS (PARIS 04667, 2/15/78), MONEY

UNCLASSIFIED

PAGE 04 PARIS 07289 03 OF 04 281840Z

SUPPLY DECLINED IN NOVEMBER 1977. THE NOVEMBER DATA, COMPARED WITH OCTOBER 1977 AND NOVEMBER 1976, ARE SHOWN BELOW:

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PARIS 07289 04 OF 04 281840Z
ACTION EUR-12

INFO OCT-01 EA-12 IO-14 ISO-00 AID-05 CIAE-00 COME-00
EB-08 FRB-01 INR-10 NSAE-00 USIA-15 TRSE-00
XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05
SS-15 STR-07 CEA-01 L-03 H-02 PA-02 AGRE-00 /131 W
-----065305 282036Z /45

R 281814Z FEB 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 7885
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY ROME
AMEMBASSY TOKYO
USMISSION GENEVA
AMCONSUL BORDEAUX
AMCONSUL LYON
AMCONSUL MARSEILLE
AMCONSUL NICE
AMCONSUL STRASBOURG

UNCLAS SECTION 04 OF 04 PARIS 07289

USMTN/USEEC

	1977	1976
NOV. OCT. NOV.		
(BILLIONS OF FRANCS)		

M1	472.72	481.00	437.69
NEAR MONEY	476.31	467.26	405.86
MONEY SUPPLY M2	949.03	948.26	843.55

COUNTERPARTS OF THE MONEY SUPPLY

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 07289 04 OF 04 281840Z

NET FOREIGN EXCHANGE
RESERVES 46.11 46.41 40.98

CLAIMS ON THE PUBLIC SECTOR 123.64 125.24 120.24
CLAIMS ON THE PRIVATE SECTOR 837.64 837.96 735.00

MONEY SUPPLY SEASONALLY ADJUSTED

M1 476.27 479.81 440.87
NEAR MONEY 476.72 467.54 406.09
MONEY SUPPLY M2 953.33 947.87 847.25

8. OTHER REPORTS SUBMITTED DURING THE PERIOD

TELEGRAMS

PARIS

4530 HUMAN RIGHTS AND IFI'S, VISIT OF STATE/TREAS.TEAM

4803 COMMON FUND AND DEBT--GOF'S FEB. 8 DISCUSSIONS

W/ UNCTAD SYG COREA

5076 ECONOMIC TRENDS IN FRANCE AND THEIR IMPLICATIONS

FOR THE UNITED STATES

5404 PARIS FOREX MARKET

5424 SOCIALIST PARTY ECONOMIC PROGRAM AND REACTIONS

5478 NATIONAL BANK EXAMINERS

7207 ECONOMIC IMPACT OF A LEFT VICTORY: A SOCIALIST VIEW

AIRGRAMS

PARIS

A-52 AND A-59 FRENCH FOREIGN EXCHANGE HOLDINGS

HARTMAN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ELECTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 feb 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PARIS07289
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780092-0543
Format: TEL
From: PARIS USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978023/aaaaacia.tel
Line Count: 467
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3ab6b7d2-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 9
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 PARIS 4667
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3527182
Secure: OPEN
Status: NATIVE
Subject: FRENCH FINANCIAL AND ECONOMIC DEVELOPMENTS
TAGS: EALR, EFIN, EGEN, FR
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/3ab6b7d2-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014